

## THE EFFECT OF EMPLOYEE VALUE PROPOSITION (EVP) AND POSITIVE WELL-BEING ON INDONESIAN RETAIL COMPANY EMPLOYEES' INTENTION TO STAY: MODERATING ROLE OF PSYCHOLOGICAL CONTRACT AND SOCIAL IDENTITY

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### Abstract:

This paper examines the effect of employee value proposition (EVP) and positive well-being on employee intention to stay in Indonesian retail companies, with psychological contract and social identity as moderating variables. This study aims to analyze the effect of Employee Value Proposition (EVP) and Positive Well-Being on Intention to Stay Employees of Indonesian Retail Companies: The Moderating Role of Psychological Contracts and Social Identity. Within the research framework, the effect of EVP and positive well-being on employee intentions to stay with psychological contracts and social identity as moderating variables is presented in a schematic that shows the relationship between the independent, moderator, and dependent variables. Data were collected from 330 respondents using a questionnaire, observation, and literature study. This quantitative study uses Partial Least Square (PLS) regression to analyze the data. The results of the study show that the employee value proposition and positive well-being have a significant effect on the employee's intention to stay in the company. Psychological contract and social identity were found to positively influence the relationship between EVP and employees' intention to stay in the company.

**Keywords:** Employee Value Proposition, Positive Well-being, Employees Intention to Stay, Psychological Contract, Social Identity

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## INTRODUCTION

Turnover is a problem every company does not expect, as it harms the company's finances, resources, and motivation since the company needs to find new employees to fill the gap (Anindita & W, 2019). As positive psychology is increasingly popular, academicians and practitioners emphasize employees 'intention to stay' rather than employees 'intention to quit' the company. Several factors are known to affect employees' intention to stay in the organization, including work motivation, engagement, psychological empowerment, job satisfaction, and job-specific factors such as training and development, superiors' support, organizational culture, and fairness in the company (Naim & Lenkla, 2016). Employees who perceive satisfaction and are engaged with the company will likely exhibit optimal competence to contribute to the company (Supriyatin, Iqbal, & Indradewa (2019). Employees highly engaged in the company exhibit lower intention to quit (Wan, Li, Zhou, & Shang, 2018).

In order to make a value proposition to employees, a company needs to understand its employees' expectations (De Vos, Meganck, & Buyens, 2005), which may consist of unwritten expectations, such as psychological contracts (Patrick & Raghu, 2014). A unique, strong EVP may

affect employees' intention to stay in the company for a long time, one of which is fulfilling the psychological contract (Binu Raj, 2020). The psychological contract is not directly affected by EVP. It is a moderating variable strengthening the EVP's positive correlation with employees' intention to stay.

Employees' self-concept is reflected through their self-perception, belief, and personal values (Manurung, 2020). Regarding self-concept, Greening & Turban (2000) found that employees' self-concept and social identity can be affected by their company's image and reputation. Hence, some employees are proud to work in a reputable company. Social identity strengthens the positive relationship between EVP and employees' intention to stay (Löhndorf & Diamantopoulos, (2014). Therefore, this study examined social identity as the moderating variable.

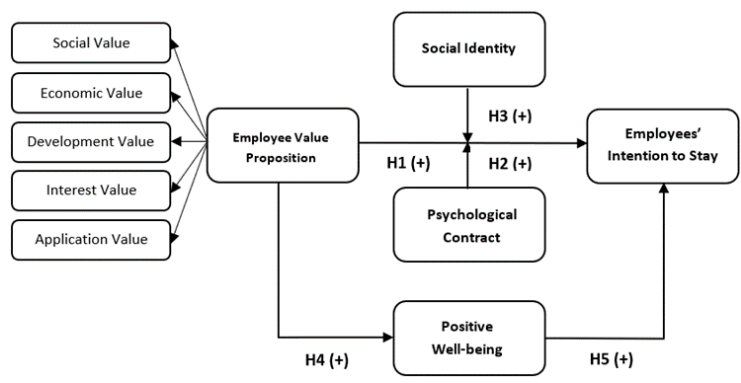
As discussed in several previous pieces of literature, the brand-consumer well-being relationship has recently become an exciting topic in marketing. Consumer Brand engagement has been reported to affect consumer well-being positively (Aureliano-Silva et al., 2018). Benraïss-Noailles and Viot (2021) attempt to develop the term value proposition, a general term in the marketing field, to employee value proposition (EVP) and found that EVP positively affects employees' positive well-being.

Wright & Cropanzano (2007) assert that employees with a high level of well-being tend to exhibit better performance. Therefore, a company must understand factors affecting high-performing employees' intention to stay, including their *well-being* (Ilies, Pluut, & Aw, 2015). Individuals with a high level of psychological well-being will likely exhibit positive attitudes towards themselves and other people, be able to make decisions autonomously, develop their self-potentials, have reasonable environmental control, and have a purpose in life (Mariyanti, 2017)

A previous study explored EVP's effect on employees' intention to stay in an IT company in the Indian context, in which psychological contract and social identity served as moderating variables (Binu Raj, 2020). However, a similar study must be made available in modern retail companies with food products. The present study involved positive well-being, which is also affected by EVP and known to affect employees' intention to stay (Benraïss-Noailles & Viot, 2021). Based on the problems above, this research aims to analyze the effect of Employee Value Proposition (EVP) and Positive Well-Being on Indonesian Retail Company Employees' Intention to Stay: Moderating Role of Psychological Contract and Social Identity.

## METHODS

In the research framework, the effect of EVP and positive well-being on employees' intention to stay with psychological contract and social identity as the moderating variable is presented in a schema showing the relationships among independent, moderating, and dependent variables. Figure 1 displays the research framework.



Source: Processed by Author

**Figure 1. Research Framework**

The framework above showed that employees' intention to stay could be affected by EVP and positive well-being. Employee value proposition comprises social, economic, development, interest, and application values. Psychological contracts and social identity can strengthen the relationship between EVP and employees' intention to stay.

Following the literature review, interview, previous literature, and proposed framework, the following hypotheses were formulated:

H1: EVP positively affects employees' intention to stay in their current company.

H2: Employees perceived psychological contract positively affects the relationship between EVP and intention to stay in their current company.

H3: Employees perceived social identity positively affects the relationship between EVP and intention to stay in their current company.

H4: Employees perceived social identity positively affects the relationship between EVP and intention to stay in their current company.

H5: Positive well-being positively affects employees' intention to stay in their current company

The present study adopted a quantitative approach, a research approach aiming at testing a research model and the significance of a relationship between variables, factors, and hypotheses (Hair Jr., Black, Babin, & Anderson, 2014). This study comprises four stages: conducting a pre-test survey, determining the research model, conducting the confirmatory study, and analyzing the data. It was conducted in an Indonesian supermarket retail company. A probability sampling technique was applied to recruit the respondents. They were employees of Indonesian supermarket retail companies who had worked for at least one year. A close-ended questionnaire with a 6-point Likert scale was distributed to 330 respondents. The Data were analyzed using Partial Least Square-Structural Equation Modeling (PLS-SEM) 3rd edition, which consisted of two steps: measurement model and structural model (Hair et al., 2014)

## RESULT AND DISCUSSION

Respondents in this study were employees of modern food retail companies who have worked either in the headquarter or outlets for at least one year. The questionnaire was designed using Google™, allowing respondents to respond online. The survey was conducted for five months. A total of 330 respondents completed the questionnaire. Respondents consisted of 141 (43%) male and 189 (57%) female respondents. Most of them were 25-30 years of age (52%) with 3-5 years of working tenure (43%) and held bachelor's degrees (55%). The collected data were analyzed using PLS-SEM, which consisted of two stages: measurement and structural models (Hair et al., 2014).

**Result of the Measurement Model.** The reflective measurement model in this study used factor loading to determine the indicator validity, composite reliability to evaluate the internal consistency, and average variance extracted to evaluate the convergent and discriminant validities (Hair et al., 2014). An AVE value of 0.50 or higher indicates that the construct accounts for more than half of the indicator's variance. On the contrary, an AVE value of 0.50 or lower indicates that, on average, there are more fixed errors in the item than the variance explained by the construct (Hair et al., 2014).

The study result showed that all indicators had a factor loading  $> 0.6$  and AVE  $> 0.5$ , as presented in Figure 2 and Table 1. The discriminant validity value was higher than the inter-correlation of latent variables, indicating That the proposed model has good discriminant validity.

Factor loading measures the factors significantly related to the variable. A high factor loading is indicated by values higher than 0.5 ( $\geq 0,5$ ) (Hair et al., 2014)

The model reliability was tested by evaluating Cronbach's Alpha and composite reliability values. While the former measures construct reliability, the latter measures the actual value of construct reliability. The construct is deemed reliable when Cronbach's Alpha and composite reliability values are higher than 0.70. Cronbach's Alpha value of higher than 0.7 is deemed satisfying (Hair et al., 2011),

As shown in Table 1, the measurement used in this study was deemed variable. The composite reliability of each indicator was higher than 0.7.

**Table 1.** Confirmatory Factor Analysis Result

Constructs	Indicators	Loading Factor	Composite Reliability	AVE	Discriminant Validity
<b>Employee Value Proposition (EVP)</b>	SOC1	0.789	0.977	0.643	0.802
	SOC2	0.800			
	SOC3	0.824			
	SOC4	0.843			
	SOC5	0.832			
	SOC6	0.842			
	SOC7	0.816			
	ECO1	0.852			
	ECO2	0.848			
	ECO3	0.857			
	ECO4	0.851			
	DEV1	0.868			
	DEV2	0.875			
	DEV3	0.833			
	DEV4	0.862			
	INT1	0.819			
	INT2	0.852			
	INT3	0.855			
	INT4	0.820			
	INT5	0.840			
	APP1	0.854			
	APP2	0.852			
	APP3	0.852			
	APP4	0.848			
<b>Employees' Intention to Stay (NBK)</b>	NBK1	0.867	0.894	0.738	0.859
	NBK2	0.860			
	NBK3	0.852			
<b>Psychological Contract (PSI)</b>	PSI5	0.744	0.979	0.635	0.837
	PSI6	0.791			
	PSI7	0.766			
	PSI8	0.793			
	PSI9	0.788			



	PSI10	0.774			
	PSI11	0.786			
	PSI12	0.786			
	PSI13	0.813			
	PSI14	0.798			
	PSI15	0.797			
	PSI16	0.799			
	PSI17	0,831			
	PSI18	0.785			
	PSI19	0.794			
	PSI20	0.758			
	PSI21	0.794	0.979	0.635	0.837
	PSI22	0,816			
	PSI23	0,811			
	PSI24	0,792			
	PSI25	0,843			
	PSI26	0,820			
	PSI27	0,810			
	PSI28	0,793			
	PSI29	0,832			
	PSI30	0,792			
	PSI31	0,773			
<b>Social Identity (IDS)</b>	IDS2	0.819	0.928	0.683	0.819
	IDS4	0.820			
	IDS6	0.839			
	IDS7	0.829			
	IDS8	0.815			
<b>Positive Well-being (PWB)</b>	IDS9	0.838			
	PWB1	0.844	0.936	0.709	0.842
	PWB2	0.854			
	PWB3	0.837			
	PWB4	0.831			
	PWB5	0.847			
	PWB6	0.838			

Source: Output Smartpls 3, 2023

**Result of the Structural Model (Structural Equation Modelling).** After ensuring the construct's reliability and validity, the next step was to evaluate the structural model. This section focuses on evaluating the resulting quality by assessing the structural model (Hair et al., 2017).

**Table 2.** Path Analysis of Structural Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (ST DEV)	T Statistic (O/STERR)
EVP → SOC	0.970	0.970	0,005	205,481
EVP → ECO	0.946	0.945	0,009	111,101

EVP → DEV	0.942	0.942	0,009	104,432
EVP → INT	0.953	0.952	0,007	128,765
EVP → APP	0.943	0.942	0,010	96,353
EVP → NBK	0.261	0.258	0,116	2,239
EVP → PWB	0.819	0.820	0,049	16,811
IDS → NBK	0.236	0.232	0.232	2,898
PSI → NBK	0.970	0.970	0,005	205,481
Moderating IDS → NBK	0,159	0,162	0,056	2,836
Moderating PSI → NBK	0,156	0,157	0,055	2,828
PWB → NBK	0.946	0.945	0,009	111,101

Source: Output Smartpls 3, 2022

Table 3. Determination Coefficients (R-square, R <sup>2</sup> )	
Variables	R <sup>2</sup>
Employees' Intention to Stay (NBK)	0.829

Source: Output Smartpls 3, 2022

The R-square (R<sup>2</sup>) of employees' intention to stay was 0.829, meaning that 83% of the variance of employees' intention to stay is accounted for by employees' value proposition, positive well-being, and the moderating role of social identity and the psychological contract. In contrast, the rest, 17%, was accounted for by other variables outside this study. The R<sup>2</sup> of employees' intention to stay demonstrate a robust research model. Hair et al. (2011) state that an R<sup>2</sup> of 0.75 is considered a substantial model, 0.50 is moderate, and 0.25 is a weak model.

**Findings and Discussions.** Hypothesis 1 states that the company's EVP positively affects employees' intention to stay. The hypothesis test result showed that the beta coefficient and t-statistics of the effect of EVP on employees' intention to stay were 0.261 and 2.239, respectively. This result supports Hypothesis 1 because the t-statistic value was higher than the t-table (i.e., 1.68). The result also indicates significant, positive effects.

The first hypothesis test result showed that the food supermarket retail companies could propose values to their employee who worked in the headquarter or in the outlet through its five dimensions, i.e., social, economic, developmental, interest, and application values (Berthon, Ewing, & Hah, 2005). It implies that employees will likely stay in the company with supportive coworkers and superiors, promotion opportunities, compensations that suit their expectations, opportunities for personal and career development, an innovative and creative work environment, and opportunities to apply knowledge and skills. This result supports the previous findings on the positive correlation between EVP and employees' intention to stay (Sokro, 2012).

Hypothesis 2 shows that employees perceived psychological contract might strengthen the relationship between EVP and employees' intention to stay. Following the hypothesis test result, the moderating role of psychological contract had a beta coefficient and t-statistics of 0.156 and 2.828, respectively. This result supports Hypothesis 2 because the t-statistic value was higher than the t-table (i.e., 1.68). The result also indicates a significant, positive effect.

The second hypothesis test result showed that, in formulating EVP, the retail food companies need to understand their employees' set of unwritten expectations, such as personal development, promotion opportunities, fair compensation, an appreciation that suits their contribution, working hour flexibility, and enjoyable work environment, among other factors affecting their decision to work for the companies. Employees who perceive engagement with their company will likely



exhibit optimal contribution and performance to the company, which, in turn, will significantly affect their intention to stay in the company. This finding provides a theoretical contribution by confirming several previous studies (De Vos et al., 2005; Mangold & Miles, 2007; Rücker, 2018).

Hypothesis 3 states that perceived social identity may strengthen the relationship between EVP and employees' intention to stay. The hypothesis test result showed that the beta coefficient and t-statistics of the moderating role of social identity were 0.159 and 2.836, respectively. This result supports Hypothesis 3, as indicated by the t-statistics that was higher than the t-table ( $2.836 > 1.68$ ), implying a significant, positive effect.

In other words, employees can develop their self-identity and images when they perceive an engagement and strong bond with their working team. Employees' social identity may develop their willingness, engagement, and pride in being part of the organization. Built upon Tajfel & Turner's (1979) theory, this finding on the moderating role of social identity is consistent with Hogg and Reid's (2006) finding.

In the fourth hypothesis, it was expected that EVP positively affects employees' positive well-being. The hypothesis test result showed a beta coefficient and t-statistics of 0.819 and 16.811, respectively. This result supports Hypothesis 4, as indicated by the t-statistics higher than the t-table ( $16.811 > 1.68$ ), implying a significant positive effect.

The hypothesis test result showed that employees who perceive that the company fulfills their expectations tended to report satisfaction and happiness, which eventually affected their confidence to work for the company. Such employees are willing to promote their company as a good place for shopping customers. Employee satisfaction and happiness are expected to be the key to motivating employees to give optimal performance to support the company's growth. This finding enriches the current body of knowledge and supports a previous study that found a positive correlation between EVP and positive well-being. (Benraïss-Noailles & Viot, 2021).

Hypothesis 5 states that positive well-being positively affects employees' intention to stay. The hypothesis test result showed that the beta coefficient and t-statistics of the effect of positive well-being on employees' intention to stay were 0.946 and 111.101, respectively. This result supports Hypothesis 4, as indicated by the t-statistics higher than the t-table ( $111.101 > 1.68$ ), implying a significant, positive effect.

The fifth hypothesis test result indicates that a happy employee tends to have increased positive well-being in the company. Similarly, Wright & Bonett (2007) stated that employees with low well-being tend to leave the company, whereas those with higher well-being will likely stay in their current company. This finding supports Aboobaker et al. (2019), who reported a significant effect of positive well-being on employees' intention to stay.

## CONCLUSION

To be a good company among job seekers, modern retail companies need to develop a set of values to offer through a unique EVP, such as attractive remuneration and promotion opportunities (economic value), opportunities for personal development through training and development (development value), respectful work environment towards employees' creativity (interest value), interpersonal relationship through internal and external media with both coworkers and superiors (social value), and opportunities to apply their knowledge and expertise through empowerment and autonomy (application value).

Furthermore, companies are suggested to consider the importance of psychological contract fulfillment and social identity by focusing on values expected by employees when working for the companies. Modern food retail companies need to be aware of employees' ever-changing expectations, implying the need for periodic evaluations by considering dimensions of EVP as

feedback for their employees' contributions. The findings of this study imply the need for the human resources department and managers to direct and integrate the company's retention strategy by strengthening values expected by employees who work in the outlet or the headquarter.

This study provides a theoretical contribution by extending business people's knowledge that they need to formulate and implement EVP (economic, social, development, interest, and application values) to develop employees' well-being and intention to stay in the company. This study also confirms that positive well-being, psychological contract, and social identity can strengthen the relationship between EVP and employees' intention to stay. The model proposed in this study could also be applied in other industries by testing it using appropriate statistical techniques.

This study was limited to the modern food retail industry sector, which could be more representative of the condition of the entire retail industry. The cross-sectional method applied in this study also limits the result of the study, as it could not determine why a phenomenon occurs in a population. Lastly, this study was limited to employees who have worked in the company. Thus, it could not describe the conditions from potential employees' or job seekers' perspectives.

Future studies should focus on the retail industry with different products as it will extend the understanding of the effect of EVP and Positive well-being on employees' intention to stay in the retail industry. It is also recommended to apply longitudinal or time-series methods to capture a more in-depth understanding. Lastly, it is also recommended to scrutinize social identity's effect on their decision to select companies among prospective employees/active job seekers.

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